

Washington Horse Racing Commission
Meeting Minutes
June 12, 2015

Present were: Jeff Colliton, Chairman; Paul George, Commissioner; Dr. Everett Macomber, DVM, Commissioner; Representative Joe Schmick, Legislative Ex-Officio Member; Isaac Williamson, Assistant Attorney General; Doug Moore, Executive Secretary; Patty Brown, Confidential Secretary.

Item #1. Approval of the meeting minutes of April 17, 2015.

Commissioner George moved to approve the minutes as submitted with one spelling correction on page one. Commissioner Macomber seconded the motion. Unanimously approved.

Commissioner Macomber asked about the helmet exchange. Doug Moore, Executive Secretary said a signup sheet placed in the kitchen, got 25 signatures; the outrider's were notifying horsemen that the new helmets would be enforced beginning on June 1. Kenny Doll, Presiding Steward, said the official outrider said everyone is being compliant.

Commissioner George asked Sophia McKee, Director of Marketing, Emerald Downs about sending the old helmets to Mongolia. Ms. McKee said the Mongolians use children from 5 to 13 years old, to race horses 6 miles with no saddles and no protective gear at all. She said a couple of children die every year, they've requested helmets from the equestrian community around the world to assist with getting safety gear to them.

Item #2. Commissioner's report.

Chairman Colliton said the Association of Racing Commissioners International Board of Directors are coming to Seattle in 2016. He noted that the new board member, Mark Lambert, Arkansas, is asking Mr. Moore more and more about model rules, he is the go-to person, in particular. Mr. Moore said the Board of Directors elected Chairman Colliton Treasurer, and puts him in line for the Chairmanship in about 2 years.

Item #3 ADW License renewal - TVG.

Mr. Moore presented the annual license renewal request from TVG to the Commissioners. He introduced Ms. Allison Meyer, Senior Director, Legal Business Affairs and Associate General Counsel who was present for TVG to answer any questions. Mr. Moore went over the renewal request and staff recommended approval. Ms. Meyer said the handle from TVG wagering was up 4 percent between last year and this. She said TVG had acquired HR TV into the TVG companies.

Chairman Colliton asked about the percentage that goes to the association, between \$37.5 million and \$42 million, a smaller percentage goes to the association, and any increased amount of wagering, anything over the \$37.5 would go in an a greater percentage to TVG until wagering hits \$42 million. Chairman Colliton said if the amount received is decreased to the association, why would Washington bettors want to go to TVG. Chairman Colliton said the intent of allowing internet wagering was to get more money into the state and if host fees keep rising and the return is going down, the Commission at

some point, may say, why are we doing this? He advised Ms. Meyer to please keep that in mind. Commissioner George said for him TVG markets their product on DirectTV in Yakima and unless you buy that service, it is not provided in his area.

Phil Ziegler, Manager, President Emerald Downs, wanted to clarify some of the terms of the agreement. He said that there will be less races from 60 to 50 broadcast but the remaining will be shown on HR TV and some more may be picked up. The clarification on additional money on wagering growth, specifically, if they should reach a certain amount, the full percentages goes to everyone except the host track. Everyone in the distribution will remain whole. Chairman Colliton said the only one that will not be ok, is the host track. Mr. Ziegler said yes.

Commissioner George asked Chairman Colliton if this could eventually be something that will brought before Congress, if it should become necessary to be guaranteed a certain amount? Chairman Colliton hoped not.

Commissioner George moved to approve the request to renew the TVG advance deposit wagering license. Commissioner Macomber seconded the motion. Commissioner Macomber asked Ms. Meyer if there was any likelihood of further mergers and acquisitions that might move the scale? Ms. Meyer said no not at this time. Mr. Ron Crockett said there are three big ADW providers currently.

Unanimously approved.

Chairman Colliton thanked Ms. Meyer for attending.

Item #4. Industry reports:

a. Emerald Downs.

Phil Ziegler, Manager & President, Emerald Downs, reported. He said things are going well. He reported on the prior weekend and the one coming up. He noted that the industry got a triple crown winner with American Pharaoh. He said that everyone at Emerald Downs was screaming. Emerald Downs gave the first 5,000 patrons win tickets. He's trying to get a report on how many of those were cashed. Robert Geller, Emerald Downs race announcer had moved on to Woodbine, they had a good send off for him. He was inducted into the WA Racing Hall of Fame. He will definitely be missed. Matt Dinerman is now calling races every day and will be full time beginning tonight. He's twenty-two years old, he's an excellent caller, dedicated, and a huge racing fan. He is established in the industry already. Mr. Ziegler said there will be Indian relay racing this weekend. Mr. Crockett said satellites are up 16.7 percent; full cards down 4.7 percent due to less product; but Emerald Downs selling is up significantly. The horse population per Jack Hodge is currently at 992 on the grounds.

b. WA HBPA.

Ron Maus, President, reported and congratulated Chairman Colliton on being in line to become ARCI Chair. Mr. Maus said he'd been traveling a lot, but had heard things are going well at Emerald Downs. He said he's been active on the national side of things and reported on that. He said that a Bill introduced into Congress by the state of NY will do a couple things; place USADA in charge of medication testing for horse racing; and the changes to the Interstate Horse

Racing Act. He said this hasn't got a lot of support. Many of the participants in racing see this as a real problem for racing. Mr. Maus said USADA has no experience in horse testing at all and the funding for this is tremendous.

Chairman Colliton said the only real support is from the Jockey Club and the cost of a USADA sample is prohibitive and they have no expertise at all in racing.

c. WTBOA.

Will Brewer, President, reported on the Breeders Association. He said things are getting better, but there's still a long way to go. He said fifty three percent of the races at Emerald Downs are WA bred. This is smaller than he'd like, but hopes to get better as the meet goes on. July 18th is the annual membership meeting. Mr. Brewer said he's going to introduce a few new programs; an in-depth view of breeding programs and place every idea out there on paper to hope to turn the tide. He said the handle is the important number; through quality and quantity of horses. He's working on increasing the brood mares in Washington. They are revamping the website, to make it more modern and add social media connections hopefully to get another generation onboard. There's a sale set for August. This year is a huge claiming year it seems. There's lots of demand for horses and not a lot of supply. He has good feelings about the sale this year, it will be big. He's beginning his Eastside tour soon. Commissioner Macomber asked about breeding population. Mr. Brewer guessed it to be up about five percent in terms of mares bred. Increasing in stallions too. Ron Crockett asked about the bonus program held last year, whether that money was well spent and did it help the sale. Mr. Brewer said yes, and encouraged it in the future. It was a high topic of conversation and he was extremely thankful for the sales incentive program. He wondered whether it was correct to apply to the reserve not achieved (RNAs), and he didn't include them in the program, he assumed they weren't to be included. Mr. Crockett deferred to Mr. Brewer's thoughts on the subject.

Item #5. Approval of the satellite site – Club Hollywood Casino, Shoreline.

Richard Smith, Investigator, WHRC, presented his investigation on the application for Club Hollywood, a satellite location in Shoreline, King County. Mr. Smith said all documents submitted, reviewed and found to be satisfactory. He contacted the Washington State Gambling Commission and the Shoreline Police Department, and found no problems had been associated with this site. Mr. Smith said a final inspection will be conducted at the end of the month. The site has ample parking, it is well lighted, easy access, with handicap parking, an elevator and stairs, security posted at the entrance. There were surveillance cameras, outside and in the money room. An armored truck service has been contracted with to take the money to the bank. Mr. Smith noted that all casino staff have received problem gambling training and are certified through the Evergreen Council. Mr. Smith said it is a well organized, clean facility. Bob Fraser presented several photos of the facility and reported the site has a gambling license currently. Mr. Fraser said this is a definite upgrade from the prior Shoreline facility, it's a very successful site. Mr. Victor Mena manager of Club Hollywood spoke and welcomes the opportunity to provide service. He said his company has a strong code of ethics, there are 1100 employees, they have several other properties. The site opens on July 1st.

Commissioner Macomber moved to approve the Club Hollywood in Shoreline as the new satellite facility for Emerald Downs. Commissioner George seconded the motion. Unanimously approved.

Break.11:05 AM. 11:20AM Reconvened.

Item #6. Adoption Hearing:

a. WAC 260-70-630 Threshold levels.

Doug Moore said the amendments are to the threshold level of the substance xylazine from 0.1 ng/ml to 0.2 ng/ml to reflect data and research that has been published. Mr. Moore said this is a negotiated agreement with the Washington HBPA after their request to amend the current Washington Administrative Code (WAC). There were no negative comments received from the stakeholders and staff recommends adoption.

Ms. O'Connell thanked Dr. Macomber and even though she has some concerns with the methodology regarding the 0.2, she believes this to be much better. She also wanted to publically thank Vince Gibson for the costs he bore, challenging his overage. Commissioner George asked what this drug was used for. Commissioner Macomber said it was a tranquilizer utilized for floating teeth, etc. Ms. O'Connell said it is not a predictable drug and it's half-life is unpredictable.

Commissioner Macomber commented there is a fair amount of analysis on this subject, he also thanked Dr. Tobin, for the data he provided, this was a much more reasonable number to be at than the 0.1 we received from RCI. This is a reasonable number to work with.

Commissioner Macomber moved to adopt the amendments to WAC 260-70-630 Thresholds. Commissioner George seconded the motion. Unanimously approved.

Item #7. Adoption of policy statement 2015-01 - Cobalt screening.

Mr. Moore said cobalt is a mineral and in humans it fights anemia. Massive doses has been shown to cause acute toxic affects in horses. The WHRC will begin to start screening in Washington. The gist of the policy is to treat cobalt testing as we do in TC02 testing, on a random basis, the horse will come early to test barn and samples will be taken to screen for cobalt. If the concentration comes back in 50 parts per billion or over, the trainer will be notified and the horse placed on vet list until the horse tests under that amount. The first retest will be at Commission expense. Any further testing will be at the owner's expense. This policy will be effective through the remainder of 2015. The cobalt threshold will be placed into the WACs in 2016. Mr. Moore said the HBPA is in support of this screening.

Commissioner Macomber approved policy WHRC 2015-01 regarding cobalt screening. Commissioner George seconded the motion. Unanimously approved.

8. Executive Secretary's report.

Mr. Moore said he had received a letter regarding a blind sample that Truesdail Labs missed detection on. Mr. Moore said as a side note, of all samples taken, the percentage of samples reported, only 1% of those are detected to contain medications and only 1% of those are reported to contain prohibited medications. Truesdail Lab missed a blind sample and Truesdail moved immediately to remedy the situation to prevent that from repeating. Mr. Moore said he has every confidence in Truesdail Lab's abilities.

a. Wagering Recap (April/May 2015).

Mr. Moore recapped the wagering reports for April & May. He reported April to be down 5.3 percent and in May up 2.7 percent and down for the fiscal year 3.9 percent. Mr. Moore said Sun Downs had a very successful meet, up 26.2 percent overall. They reported a record Kentucky Derby day. Commissioner George asked about Boise regarding the Tribes' request to stop the instant racing machines. Mr. Moore said he didn't know, but it is in court at the moment. Commissioner George also asked about the Class C meets and whether or not Dayton and Waitsburg and Walla Walla could resume racing. Mr. Moore said even though the fund balance is good, it is not enough to be able to assist them with their meets. He hopes things will change in the future.

b. Monthly financial statement.

Mr. Moore went over the WHRC expenditures and revenues for April 2015, reporting the fund balance to be \$931,747.

Item #9. Any other business that may be properly brought before the Commission.

Commissioner George asked about the government shutdown on June 30, if no budget is in place. Mr. Moore said the WHRC will be shut down and so will Emerald Downs because WHRC employees will be unable to report to work to regulate.

Chairman Colliton reminded the audience of the next meeting date of August 14, 2015.

Meeting adjourned. (11:40 AM)

Doug Moore, Executive Secretary